

1. A method for determining a value of employee stock options comprising:

a computing module;

inputting into said computer module one or more initial parameters comprising a maturity

date, a volatility factor, a dividend yield, an initial stock price, a strike price, a

5 risk-free price, a vesting period, a departure rate, and a blackout date;

outputting from said computing module one or more of an employee optimal exercise

strategy, a probability of departure, a probability of forfeiture, an ESO value, and

one or more calibration metrics including an expected option life, a ratio of a

stock price to strike price, an expired worthless probability, and a future stock

10 price;

2. A method of claim 1 further comprising:

computing an employee exercise boundary from said one or more initial parameters;

computing said employee optimal exercise strategy by comparing said future stock price

with said employee exercise boundary;

15 computing an unforced exercised probability from said employee optimal exercise

strategy;

computing said probability of forfeiture and a probability of forced exercise from said

probability of departure, said vesting period, said strike price and said future stock

price at a date of departure;

20 computing an ESO value from said probability of forfeiture, said probability of forced

exercise and said unforced exercised probability.

3. A method of claim 2 further comprising:  
calibrating said one or more initial parameters using a risk aversion factor, an employee  
wealth parameter and said departure rate.